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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 06/19/08

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ARTICLES:

- (1) Japan, China reach ambiguous agreement on gas field development, shelving border issue

NIKKEI (Page 3) (Full)
June 19, 2008

Japan and China have reached an agreement to jointly develop gas fields in the East China Sea while pushing the thorny issue of setting a border between their respective exclusive economic zones (EEZ) backstage. But the agreement contains many ambiguous parts,

and details will be worked out in future negotiations. It is uncertain whether the joint development will be a model case for Japan and China to jointly exploit natural resources as expected by Japan.

Shirakaba: Degree of involvement not be determined yet

Japan was particularly eager for an agreement on the joint development of the Shirakaba (Chunxiao in Chinese) gas field. Although the Shirakaba field is located on the Chinese side of the median line between Japan and China, Japan was concerned that China might pump up natural gas in waters on the Japanese side.

Ignoring Japan's request, China began to independently develop the Shirakaba field. A government source called the field "the very symbol in the gas field dispute between Japan and China." Given this, China was taking a tough stance about the joint development of the Shirakaba field, as a Chinese Foreign Ministry official said: "It should be separated from joint development." In the end, China agreed on Japan's investment in the project.

Some have highly evaluated the specification of how the Shirakaba field should be handled in the agreement itself." But it is still unknown to what extent Japan's involvement will be admitted. According to a news statement, the agreement specifies that investment by Japanese companies in the Shirakaba-development project should be in accordance with Chinese laws, demonstrating China's leadership. On the ratio of investment to be discussed in future negotiations, as well, it is unlikely that Japan's ratio will be larger than China's.

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Foreign Minister Masahiko Koumura said in a press briefing last evening: "We were able to solicit an agreement on Japan's capital participation in the Chinese development of a gas field." Whether it is called joint development or not is a matter of no importance.

Gas fields near Asunaro for joint development yet to be picked

In the agreement on the joint development in the northern part of the East China Sea, specifics on many items have yet to be determined. Japan and China will pick exact sites for joint development within the area after conducting a joint investigation of resources. The two countries will distribute profits earned from the project to them in a ratio reflecting their respective investment. Japan and China expect to split the joint development costs on a 50-50 basis in principle, but specifics will be discussed from now.

Japan was calling for the two countries to jointly develop an area that straddles the median line. This call was reflected in the agreement. According to a source related to Japan-China relations, however, the site agreed on for joint development covers a wider area on the Japanese side from the median line than that on the Chinese side, placing China at an advantage.

The Asunaro (Longjing in Chinese) gas field, which is viewed as a promising field, is not covered by the joint-development agreement. Japan has been calling for joint development of four gas fields, including the Shirakaba and Asunaro fields, near the median line, but the remaining two - the Kashi (Tianwaitian) and Kusunoki (Duanqiao) fields - are outside the agreement. The two countries have decided to continue negotiations on the three gas fields. But China may insist on its independent development of the fields.

Some government officials voice apprehension that while Japan is engaged in investigation related to joint development and in negotiations, China could promote the development of other gas fields in earnest.

Uncertain profitability

The joint development of gas fields is in accordance with Japan's policy of diversifying its source of energy supply. In order to transport the produced gas to Japan, though, Japan will have to

build a pipeline by a huge investment. It remains to be seen whether the project will pay or not.

According to China, it confirmed through test drilling that the gas fields in the East China Sea have 18 billion barrels of gas reserves in total. This figure is about 5 PERCENT of the production in the Sakhalin-2 project in Russia, in which Japanese companies have invested. It also accounts for less than 10 PERCENT of the annual demand of oil and natural gas in Japan. Of the 18 billion barrels, 64 million barrels of gas lies in the Shirakaba field. As Economy, Trade and Industry Minister Akira Amari said: "We have not expected too much of the amount of gas reserves there," Japan sees that its contribution to Japan stable energy supply will be limited.

In the case of maritime gas fields, production costs are higher than those in ground gas fields. To transport the produced gas to Japan, it will cost several hundreds billion yen to construct a pipeline and a platform to liquefy gas. Japanese petroleum companies and trading houses are expected to invest in the project in the future,

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but the project is likely to be unprofitable. Many therefore view it practical to send the product to China through the pipeline China is now constructing. In such a case, Japan will receive profits in accordance with the ratio of its investment.

Teikoku Oil Co., under the wings of Inpex Holdings, holds concession rights for gas fields in the areas on the Japanese side from the median line between Japan and China. The company is interested in the project, as President Masatoshi Sugioka saying: "We want to deepen cooperative relations with China." The company intends to decide on whether to invest in the project while analyzing its profitability.

(2) Arguments on whether to hike sales tax or not will likely accelerate

ASAHI (Page 4) (Full)
June 19, 2008

Prime Minister Fukuda's remark referring to a consumption tax hike will likely accelerate discussions on the issue in the Liberal Democratic Party (LDP). Aware of an anticipated next Lower House election, a cautious view toward such a hike is deep-rooted in the party. Voices calling for using revenues from an increased tax rate to cover ballooning social security expenses are growing. It is now clear that the consumption tax issue will become the central issue in the year-end tax code revision.

Those positive about raising consumption tax: Some motivated by desire to keep road budget intact

Former Chief Cabinet Secretary Kaoru Yosano, who places a priority on fiscal reconstruction, welcomed the prime minister's statement, noting, "The prime minister's statement is very reasonable." The LDP Fiscal Reform Study Group, chaired by Yosano, on June 11 compiled a set of proposals for the management of fiscal policy for the immediate future, based on the premise that the consumption tax rate should be raised to at least 10 PERCENT by the middle of the 2010's. The panel is also looking into measures to reduce wasteful spending. The panel thus can be characterized as a fiscal reconstruction force.

In the meantime, there is a possibility of pressure for boosting spending gaining ground, backed by the prime minister's statement.

Secretary General Bunmei Ibuki in a speech made last month said, "The prime minister will do what should be done without hesitating. In return for that, he would openly ask the people to consider a possible consumption tax. His stance is that it would be unavoidable for the prime minister to raise the consumption tax in order to place his policy imprint. In other words, he is an advocate of a balanced expansion.

The road policy clique is also in favor of hiking the consumption tax. Election Committee Chairman Makoto Koga in a speech on the

reallocation of special-purpose road construction revenues given in May said, "I cannot possibly tolerate a road funds grab-bag game among welfare, education and environment lobby members. Serious discussion, including discussion on the reallocation of road funds, is necessary." Koga aims at boosting revenues for road construction so that the reallocation of road funds will not squeeze the road construction budget.

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The LDP Tax System Research Commission, chaired by Yuji Tsushima, will start considering a consumption tax hike starting in July with eye on the drastic reform of the tax code at year's end. Chief Cabinet Secretary Machimura at a press conference on June 18 pointed out, "It is necessary to pursue discussion on the consumption tax hike issue by the end of the year." Some members have already made a bullish remark with a senior Policy Research Council member saying, "We want the panel to come up with a policy direction, such as that at least an increase of such and such percentage would be necessary."

Those cautious about tax hike alert to possible setback stemming from such a hike in run-up to general election

Regarding the prime minister's remark, an aide to him said, "The prime minister always says what he thinks." However, no prospects have been obtained for the government to increase the consumption tax under a circumstance where the next general election could be held by the next fall at the latest.

Former Secretary General Tsutomu Takebe at a meeting on the 18th said, "It is impossible to pursue a tax hike discussion under a circumstance where scandals involving public servants are continuing." He made this remark out of consideration to the first-term lawmakers elected riding on the strength of the popularity of then Prime Minister Koizumi, because they are vulnerable to the impact of setbacks.

Furthermore, the so-called rising-tide force that attaches importance to economic growth, including former Secretary General Hidenao Nakagawa, is continuing to criticize moves of those who are in favor of a consumption tax hike. Nakagawa said, "The prevailing view among the public is that there should not be a tax increase without a substantive personnel cuts at Kasumigaseki (bureaucratic center) and Nagatacho (political center)."

Former Prime Minister Abe in a speech given on the 18th underscored, "It is not possible to gain understanding of a consumption tax hike from the people unless wasteful spending is abolished. Further efforts are needed."

The prime minister wants to determine how the public will respond, as he said during a press conference on the 17th: "I am now thinking hard about what response the public will make." He was quick to check the argument calling for a consumption tax hike from leading the way, telling reporters on the 18th: "I will do away with administrative waste. I must also determine the outcome of social security discussion. There is also the road funds reallocation issue. Since the tax issue comes after those issues, it will take still more time to discuss what to do about the consumption tax."

(3) U.S. courts-martial opened to Japanese press

ASAHI (Page 37) (Abridged slightly)
June 19, 2008

Two recent U.S. military courts-martial, one held recently in Yamaguchi and the other in Okinawa, that tried U.S. servicemen for sexual violence against Japanese women were both opened to the press. What is a court-martial, a military court, like? Why did the U.S. military in Japan open the courts-martial to the press, a rare

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move?

On June 10, a court-martial was held at the U.S. Marine Corps' Iwakuni Air Station in Yamaguchi Prefecture for Gunnery Sgt. Carl M. Anderson, 40, who had been indicted on 19 charges, including rape and conspiracy to kidnap. On each charge, the judge carefully asked Anderson, "You were not forced by anyone to admit to the charge, were you?" and, "Do you understand the meaning of the provision?"

The sergeant admitted to seven charges, including illicit sexual intercourse with a woman other than his wife and indecent acts in front of other service members. In fact, nine charges, including rape, had been dropped as a result of plea-bargaining ahead of the court-martial.

In October 2007, a 19-year-old woman was raped in the city of Hiroshima. The Hiroshima prefectural police sent to prosecutors papers on four U.S. Marines on suspicion of gang-raping the woman. The Hiroshima District Public Prosecutors Office decided not to prosecute the four, citing insufficient evidence. Anderson is one of them.

Under the Japan-U.S. Status of Forces Agreement specifying criminal procedures stipulates that in the event Japan does not indict a U.S. service member suspected to have committed a crime in Japan, jurisdiction over the case shifts to the U.S. military. The Yamaguchi case falls in this category.

The U.S. military independently conducted an investigation into the case and indicted the four members in violation of the U.S. Uniform Code of Military Justice (UCMJ), which corresponds to the criminal code. The U.S. military has court-martialed the four one by one since May.

Courts-martial held earlier for two others and for a Marine allegedly sexually assaulted a middle school girl in Okinawa ended between one and four days as they also entered into plea-bargains.

According to Surugadai Law School Professor Shinichi Shima, entering plea-bargain is more common in courts-martial than in regular criminal courts. Shima explained the reason this way: "A court-martial is held even at the battlefield. In order to return soldiers to their original duties, the military needs to finish up courts-martial speedily."

According to the Justice Ministry, there were four cases in 2007 -- one injury and three theft cases -- in which U.S. service members were court-martialed because Japanese investigative organs did not press charges against the suspects. The courts-martial found the person involved in the injury case not guilty and the ones involved in thefts guilty.

Courts-martial are convened to try members of the U.S. military or civilian employees of the U.S. military who are suspected to have violated the UCMJ. There are three types of courts-martial -- general, special and summary. Opened to the press in Iwakuni and Okinawa were general courts-martial that try rape, murder, and other cases.

A court-martial consists of a military judge, trial counsel, and defense counsel who have passed the bar examination and have undergone a military education. A suspect has the right to hire a

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private defense counsel.

As is the case with a trial in Japan, a U.S. court-martial is opened to the public in principle. In reality, Japanese people cannot sit in courts-martial because U.S. bases in Japan are off-limits to the Japanese public.

So why did the U.S. military open the two courts-martial to the Japanese press?

An officer of the US Forces Japan Command explained: "We opened the courts-martial in order to demonstrate that the United States never overlooks any crime." The officer also indicated that the United

States would open future courts-martial on a "case-by-case basis" -- an ambiguous explanation.

Surugadai University Professor Emeritus Hiroshi Honma, who is an expert on the SOFA, said: "Behind the opening of the courts-martial lies the issue of realigning US forces in Japan. The step reflects the U.S. military's desire that Iwakuni residents accept the transfer of a carrier-based air wing. Distrust (in the U.S. military) is also mounting in Okinawa due to a growing number of crimes committed by U.S. military personnel. The U.S. military is trying to seek Japanese understanding by showcasing its stance of trying crimes strictly."

Over the last several years, the U.S. military has severely dealt with crimes committed by its members in the wake of global criticism of torture at Abu Ghraib in Iraq that came to light in 2004.

The UCMJ was amended in October 2007, and the types of sexual crimes have now increased from two -- rape and other sexual misconduct -- to 14. The Iwakuni court-martial also handed down a sentence for a newly established crime.

(4) Former Marine Commander defines Guam relocation plan as failure

OKINAWA TIMES (Page 1) (Full)
June 18, 2008

(Honolulu)

Former Commander of Marine Forces Pacific retired Lt. Gen. Henry Stackpole said: "I think that the agreement reached between the U.S. and Japan to transfer Marines from Okinawa to Guam was a failure." As main reasons for this view, he cited the limited space available for training, and the difficulty in financing the procurement of high-speed transport vessels that can travel between Guam and Okinawa. He also disclosed that in 1993, the U.S. Pacific Command had studied plans to halve the number of U.S. Marines in Okinawa.

In an interview with the Okinawa Times at the University of Hawaii, Stackpole stated this about the Guam relocation plan: "There is the problem of Marines being unable to travel freely. There is no problem in the case of the Air Force or the Navy establishing bases there, given their flexibility. But the Marine Corps has not deployed its own transport vessels in Guam. Relocating Marines to Guam is an unsatisfactory plan."

When negotiations on the realignment of U.S. forces in Japan were underway, Stackpole was chief of the Research Institute for Asia-Pacific Regional Strategy, a think-tank affiliated to the

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Defense Department in Honolulu. In this position, he was giving advice to the Pacific Command on the Okinawa issue and was attending meetings of officers responsible for negotiations with Japan. He also served as Okinawa Area Coordinator, so he is well versed in issues related to Okinawa bases.

Observers think that the retired officer's severe view represents the dissatisfaction smoldering among Marines.

According to Stackpole, the Pacific Command had produced in 1993 a report specifying that it was possible to reduce the number of Marines in Okinawa from the 21,000 at that time to 10,000 -- the size of a brigade -- as a result of studying the experience of dispatching troops to participate in the Gulf war. At that time, he was looking into how appropriately troops should be deployed.

Stackpole reportedly said in recent realignment talks: "If the number of troops in Okinawa is reduced to the size of a brigade, it will become possible for them to respond to various situations promptly, with no obstacles to their operations." In the plan to transfer Marines to Guam, he has also the size of a brigade in mind.

(5) Poll on Fukuda cabinet, political parties, new healthcare system for elderly, civil service reform, censure motion against premier

Questions & Answers

(Figures shown in percentage. Parentheses denote the results of a survey taken in May.)

Q: Do you support the Fukuda cabinet?

Yes 25.1 (26.1)
No 63.4 (64.7)
Other answers (O/A) 2.7 (2.2)
No answer (N/A) 8.8 (7.0)

Q: Which political party do you support now? Pick only one.

Liberal Democratic Party (LDP) 26.0 (28.5)
Democratic Party of Japan (DPJ or Minshuto) 20.5 (18.4)
New Komeito (NK) 2.8 (2.1)
Japanese Communist Party (JCP) 2.6 (1.3)
Social Democratic Party (SDP or Shaminto) 0.9 (1.3)
People's New Party (PNP or Kokumin Shinto) 0.3 (0.2)
New Party Nippon (NPN or Shinto Nippon) --- (---)
Other political parties 0.1 (---)
None 46.0 (47.6)
N/A 0.7 (0.7)

Q: When would you like the House of Representatives to be dissolved for a general election?

As early as possible 33.0
Within this year 24.8
At an early date next year 8.9
Before the current term of office ends in September next year 25.0
N/A 8.3

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Q: If an election were to be held now for the House of Representatives, which political party would you like to vote for in your proportional representation bloc?

LDP 25.1
DPJ 27.5
NK 3.1
JCP 3.1
SDP 1.7
PNP 0.5
NPN 0.1
Other political parties 0.1
Undecided 37.7
N/A 1.2

Q: The government has now introduced a new healthcare system, under which elderly people are also asked to shoulder the burden of insurance premiums so that young generations will not be overburdened. Do you appreciate this system?

Appreciate very much 8.0
Appreciate somewhat 27.6
Don't appreciate very much 32.6
Don't appreciate at all 28.2
N/A 3.6

Q: The government and ruling parties will basically maintain this healthcare system but plan to amend this system so as to lighten the burden of insurance premiums on those in lower income brackets. Do you appreciate this course of action?

Appreciate very much 17.9
Appreciate somewhat 41.1
Don't appreciate very much 22.8
Don't appreciate at all 15.3
N/A 2.9

Q: The DPJ and other opposition parties insist on restoring the previous healthcare system for old people, reasoning that elderly people are heavily burdened under the new healthcare system. Do you appreciate this opposition standpoint?

Appreciate very much 17.4
Appreciate somewhat 35.9
Don't appreciate very much 29.4
Don't appreciate at all 12.1
N/A 5.2

Q: Prime Minister Fukuda laid emphasis on a legislative measure to reform the nation's civil service personnel system in the current Diet session. The Diet has now enacted the legislation into law, with Prime Minister Fukuda complying with the DPJ's request for substantial amendments to the bill. Do you appreciate this response of the prime minister?

Appreciate very much 16.0
Appreciate somewhat 42.4
Don't appreciate very much 21.7
Don't appreciate at all 9.4
N/A 10.5

Q: Do you think the civil service personnel system will be reformed

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under the enacted law?

Yes 30.4
No 58.8
N/A 10.8

Q: The government plans to create a consumer agency. Do you think the government will implement even more consumer-oriented administration as a result?

Yes 45.9
No 45.7
N/A 8.4

Q: Do you think the Diet has functioned during its current session to decide on important policies for Japan?

Yes 17.2
No 73.2
N/A 9.6

Q: The House of Councillors passed a motion censuring Prime Minister Fukuda with a majority of votes from the DPJ and other opposition parties. However, a censure motion in the House of Councillors, unlike a no-confidence motion against the government in the House of Representatives, has no legal force. Do you think the censure motion was meaningful as it clarified the House of Councillors' will, or do you otherwise think it was meaningless because it has no legal force?

Meaningful 36.2
Meaningless 50.2
N/A 13.5

Polling methodology

Date of survey: June 14-15.

Subjects of survey: 3,000 persons chosen from among all eligible voters throughout the country (at 250 locations on a stratified two-stage random sampling basis).

Method of implementation: Door-to-door visits for face-to-face interviews.

Number of valid respondents: 1,827 persons (60.9 PERCENT).

(6) Prime Minister's schedule, June 18

NIKKEI (Page 2) (Full)
June 19, 2008

08:01

Departed Kantei on GSDF helicopter for Iwate and Miyagi prefectures to inspect earthquake-stricken areas.

09:43

Viewed by helicopter quake-hit areas in Kurihara City, Miyagi Prefecture, and in Ichinoseki City, Iwate Prefecture.

10:08

Arrived at parking lot of Zuisenkaku Inn in Ichinoseki City. Gave words of encouragements to residents at earthquake evacuation shelter, elementary school.

11:02

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Arrived in Kurihara City on GSDF helicopter. Met with Miyagi Gov. Murai and Kurihara Mayor Sato. Afterwards met victims of the earthquake. Responded to interview by the press.

11:48

Left Kurihara City.

13:21

Arrived at Kantei.

13:26

Returned to his official residence.

15:58

Met at Kantei with 2008 G8 Summit NGO Forum representative Hoshino.

17:35

Attended Intellectual Property Strategy Headquarters meeting.

18:20

Met with Chief Cabinet Secretary Machimura.

18:46

Returned to his official residence.

SCHIEFFER